

UNCLASSIFIED

Iraq

Status Report

August 25, 2010



Bureau of Near Eastern Affairs
U.S. Department of State

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TABLE OF CONTENTS

HIGHLIGHTS	3
POLITICAL	
• Governance & Legislation	4
SECURITY	
• Situation Update	10
DIPLOMATIC	
• Political Engagement	11
ECONOMIC	
• Oil	12
• Fiscal and Monetary Affairs	14
• Public Services - Electricity	16
• Industry Spotlight	17
• Private Sector	18
BEYOND BAGHDAD	19
Contact Information, Notes and Source Citations	20

HIGHLIGHTS



- **Iraqiya Claims Sadrists Support Allawi for Prime Minister (*POLITICAL*, page 4)**
- **Number of U.S. Troops in Iraq below 50,000 Ahead of August 31 Deadline (*SECURITY*, page 10)**
- **New U.S. Ambassador to Iraq James Jeffrey Arrives in Baghdad (*DIPLOMATIC*, page 11)**
- **New Car Production Deal Marks Establishment of Iraqi Auto Industry (*ECONOMIC*, page 17)**

POLITICAL – Governance & Legislation



Contradictory reports surface regarding Sadrists' role in government formation

Iraqiya Claims Sadrists Support Allawi for Prime Minister:

- According to Ziyad al-Darb, a member of the Iraqi parliament representing Iraqiya, “the Sadr Movement has expressed their approval to nominate Dr. Iyad Allawi for the new prime minister’s post and the formation of the future government.” Al-Darb also noted that Iraqiya’s negotiations with al-Fadila Party and with the Islamic Supreme Council of Iraq (ISCI) are expected to be concluded within one week. Iraqiya remains adamant that they will not accept a second term for Prime Minister Maliki.

INA to Choose Nominee to Compete with Maliki for PM:

- The Iraqi National Alliance (INA) will choose only one nominee for the premiership to compete with incumbent Nuri al-Maliki, according to a leading Sadrist figure of the INA. “The two nominees will be voted on inside the National Coalition (which consists of INA and Rule of Law),” al-Aaraji said on August 24. He noted that new mechanisms will be put in place requiring that “a nominee should get 80 percent of the votes to become the coalition’s candidate for the premiership position.”

POLITICAL – Governance & Legislation

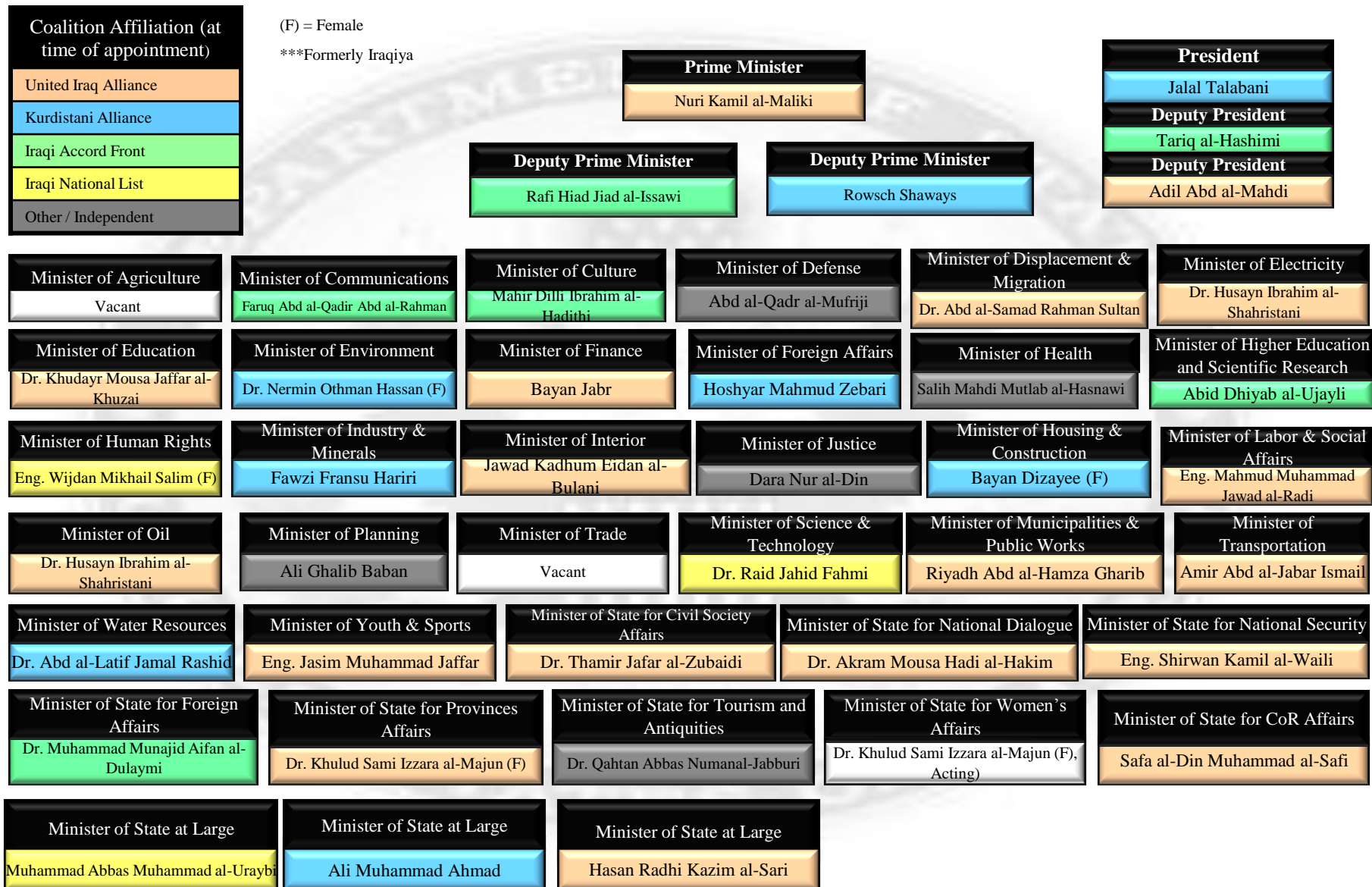


Contradictory reports surface regarding Sadrists' role in government formation

Iraq to Conduct Census in October, 2010:

- **Iraqi Planning Minister Ali Baban said that Iraq is “in a good condition to run the census on October 24, 2010.” He explained that the current political situation in Iraq would not affect the census, noting that “the census is a commitment of the Iraqi state, not of a government or official.”**

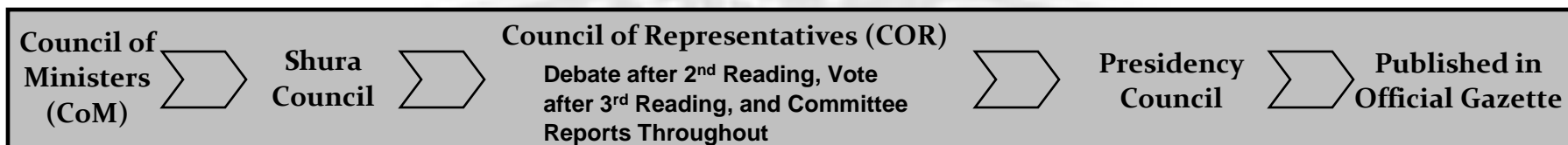
POLITICAL – Government of Iraq





POLITICAL – Key Legislative Issues

Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law, approved March 3, will regulate the operations and funding of Non-Governmental Organizations operating within Iraq.

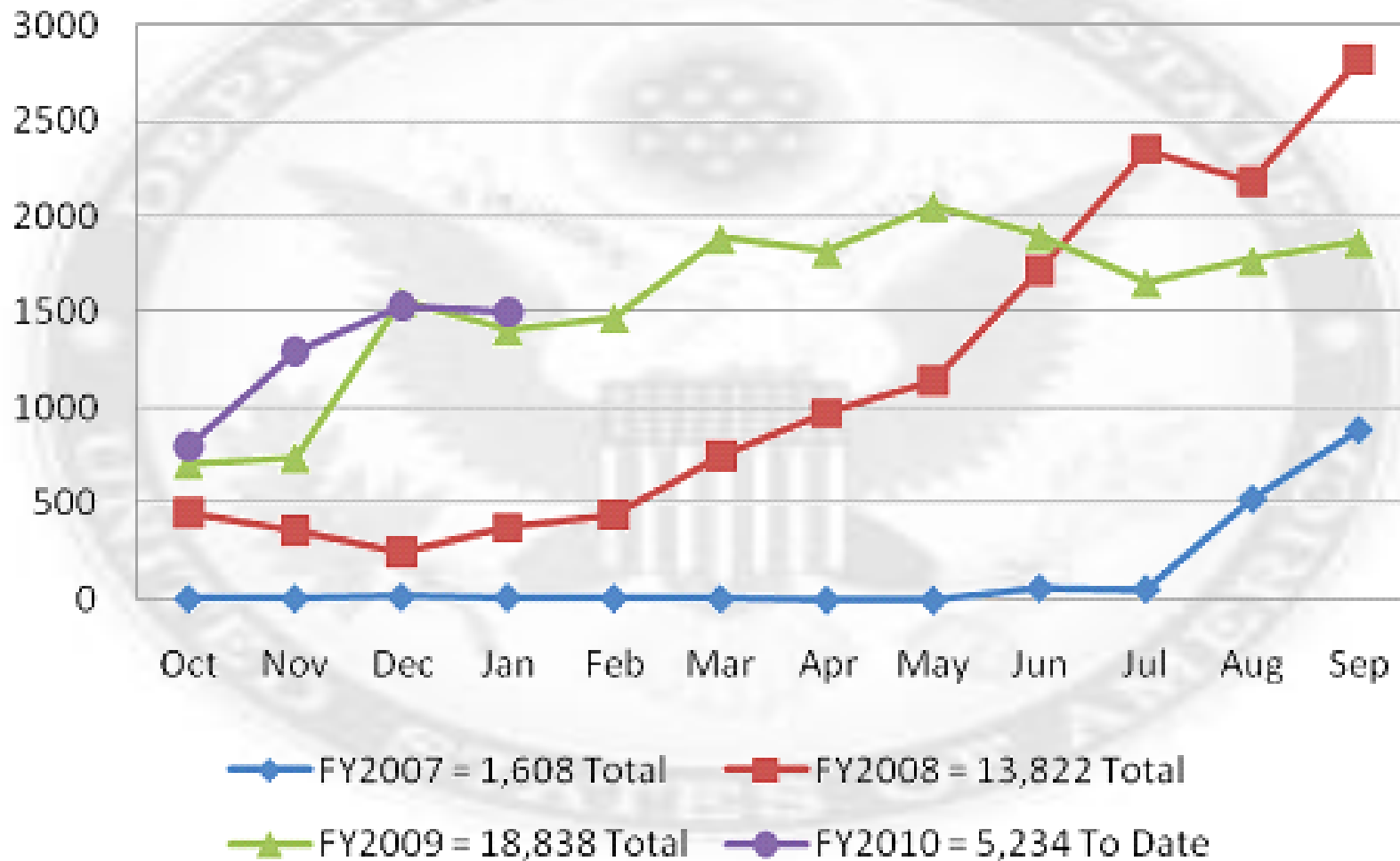
POLITICAL – Refugee Update



- **There are almost 229,000 Iraqi refugees currently registered with the UN High Commissioner for Refugees (UNHCR) in neighboring countries and an undetermined number of unregistered refugees. UNHCR reports that 1.5 million Iraqis remain internally displaced due to sectarian violence following the Samarra Mosque bombing of February 2006.**
- **Since the beginning of 2008, some 464,000 Iraqis have returned to their neighborhoods in Iraq. The majority of the Iraqis returning were internally displaced persons.**
- **In FY09, the U.S. Government contributed \$387 million to international and non-governmental organizations to assist Iraqi refugees, internally displaced, and conflict victims.**
- **Since the program's inception in FY07, 47,841 Iraqi refugees have been admitted to the U.S. for resettlement.**
- **As of September 2009, a total of 1,143 Special Immigrant Visas (SIVs) have been issued for Iraqi translators and interpreters (and their dependents) since FY07 (under the Section 1059 program).**
- **As of September 2009, a total of 1,716 SIVs have been issued for Iraqis employed by the U.S. government (and their dependents) since FY08 (under the Section 1244 program).**

POLITICAL – Refugee Update

Iraqi Admissions to the U.S.



SECURITY – Situation Update



U.S. combat troops leave Iraq as Islamic State of Iraq claims responsibility for attacks

Number of U.S. Troops in Iraq below 50,000 Ahead of August 31 Deadline:

- The number of U.S. troops in Iraq is now below 50,000, according to U.S. military statements made on August 24. The announcement comes after the last U.S. combat brigade departed Iraq and crossed into Kuwait on August 18. General Ray Odierno, Commander of USF-I, stated that conditions for achieving a successful transition from Operation Iraqi Freedom to Operation New Dawn had been achieved ahead of the August 31 deadline, and emphasized the ongoing commitment to Iraq by the U.S. as the two countries continue to strengthen ties in economic, political, and cultural spheres. Remaining U.S. troops in the country will advise, train and assist the Iraqi Security Forces.

Al-Qaida Front Group Claims Responsibility for Attacks:

- Islamic State of Iraq (ISI), an Al-Qaida front group, has claimed responsibility for a suicide bombing on August 17 that left over 50 Iraqis dead and over 100 wounded. The victims had been waiting in line at an Iraqi army recruitment center when the attack occurred. In its August 20 statement, ISI boasted of its ability to defeat security measures that had been in place at the recruitment drive. That same day, a representative of Grand Ayatollah Ali al-Sistani criticized the Iraqi Security Forces for not doing enough to protect recruits. In a separate statement ISI also claimed responsibility for several attacks on Iraqi judges that took place on August 17, wounding four.

DIPLOMATIC – Political Engagement



Transition of USG officials

New U.S. Ambassador to Iraq James Jeffrey Arrives in Baghdad:

- The new U.S. Ambassador to Iraq James Jeffrey presented his diplomatic credentials to top Iraqi officials after arriving in the country on August 18. Ambassador Jeffrey met with Iraqi President Jalal Talabani and Foreign Minister Hoshyar Zebari in a ceremony in Baghdad. Jeffrey said, "It is a great honor for me to return to Iraq. I look forward to renewing old friendships, strengthening our ties with Iraqi leaders, and deepening our civilian engagement for the long term throughout this historic land." Jeffrey served as Chargé d'Affaires to Iraq from March to June 2005 and Deputy Chief of Mission in Baghdad from June 2004 to March 2005.

Biden Outlines Shift in U.S. Role in Iraq:

- Vice President Biden said August 23 that the U.S. military was taking a "major step" in Iraq in a speech he delivered marking the final drawdown of U.S. combat troops in the country. Biden said the U.S. military would transition from a combat role to "advise, assist, train and equip" the Iraqi Security Forces. His speech before a Veterans of Foreign Wars convention in Indianapolis serves as a prelude to an address President Obama is expected to make on Iraq by August 31.

ECONOMIC – Oil



Crude Oil Update:

Price averages in world markets closed with the following prices:

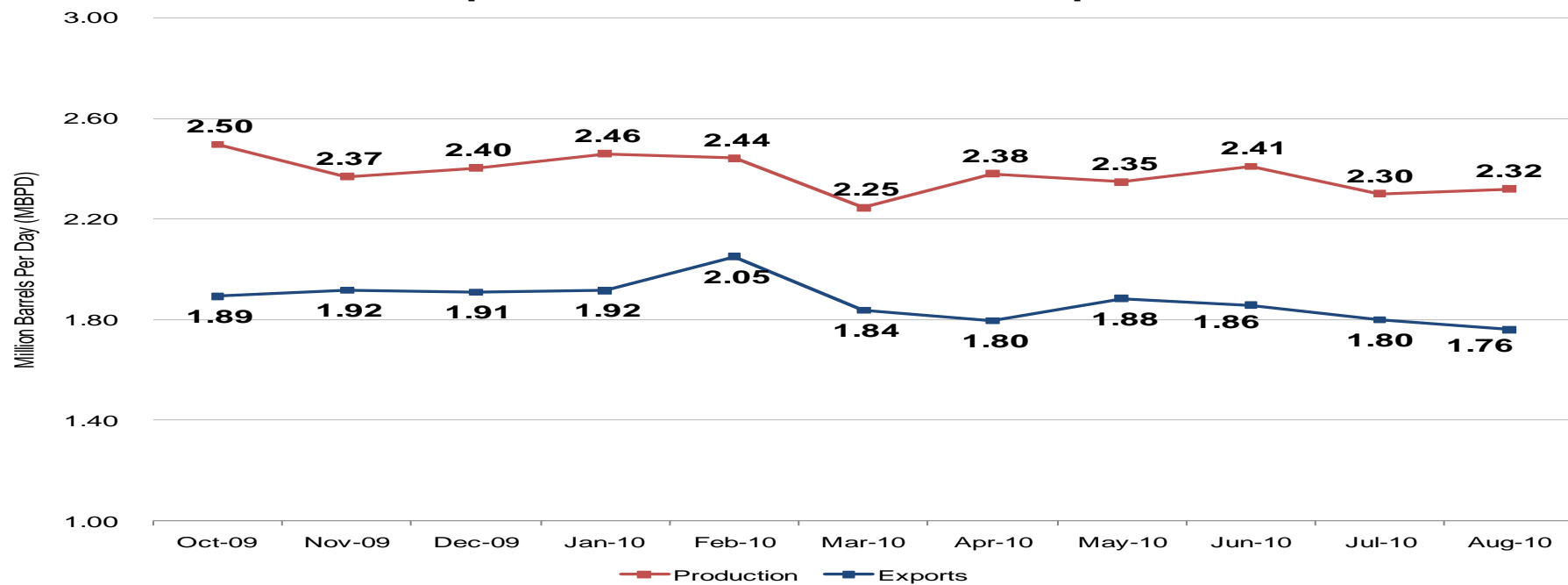
Basrah Light at \$73.10/barrel

Dated Brent at \$74.91/barrel

WTI Cushing at \$74.86/barrel

Oman/Dubai at \$73.35/barrel

Iraq Crude Oil Production and Exports



Note: Y-Axis starting point has been changed from zero to 1.0

Revenue estimates:

2008: \$61.9 Billion

2009: \$39.2 Billion

2010 (ytd): \$28.6 Billion

ECONOMIC – Oil



Despite farmers' concerns, Iraq to expand oil production in southern region

Majnoon Development Contract Awarded to U.S., UK Firms:

- **United Kingdom energy company Petrofac has won a contract to design and construct two crude-oil processing plants in Majnoon, an oil field in Basrah. It is estimated that construction could take up to 18 months and cost \$10 million per well, with expected returns of around \$150 million. United States energy company Halliburton also won a deal to drill 15 wells in the area, as part of Basrah's larger developmental plan to reach a capacity of 1.8 million bpd from Majnoon's fields within six years.**

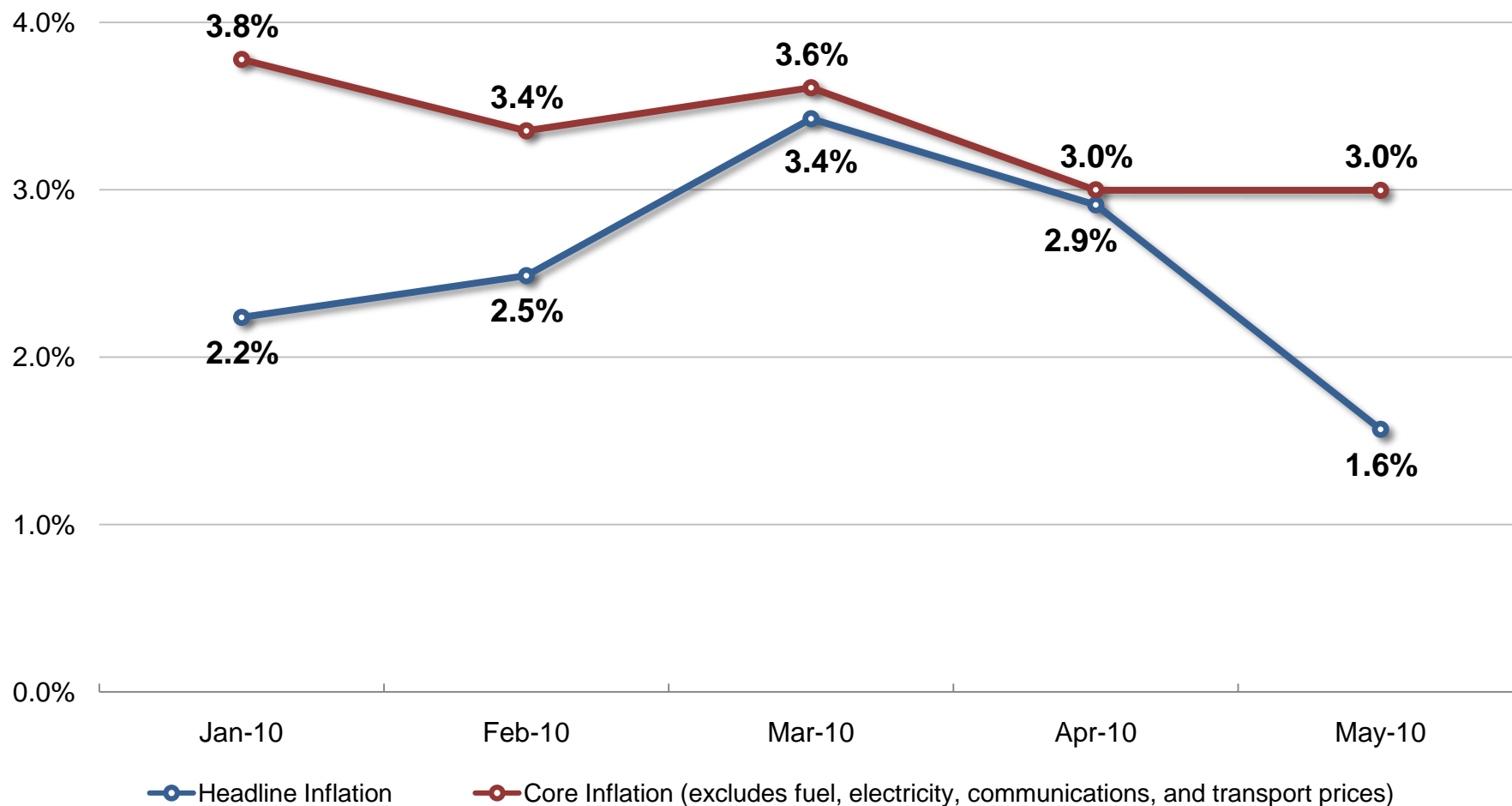
Iraqi Farmers Fear Livelihood Compromised by Oil Production:

- **Farmers in southern Iraq are demanding compensation for farmland that the GOI is integrating into Iraq's oil fields. The farmers argue that their livelihood is being neglected as the government accelerates plans to develop Iraq's oil fields and procure technical equipment and expertise from international oil companies. A Ministry of Oil spokesman has said that the GOI would offer cash or land compensation to farmers, though the state is ultimately the rightful owner of all Iraqi oilfields.**

ECONOMIC – Fiscal and Monetary Affairs



Iraq: Year-on-Year Inflation



- In 2010, the Central Bank of Iraq began using a new Consumer Price Index. As a result, year-on-year inflation data prior to January 2010 cannot be directly compared.

ECONOMIC – Fiscal and Monetary Affairs



Iraq's private banks urge GOI to accelerate privatization of banking sector

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Debt Swap Bond Prices and Yields				
Price (USD)	\$87.18	\$85.67	\$83.15	\$64.50
Yield	7.09%	7.26%	7.55%	10.32%

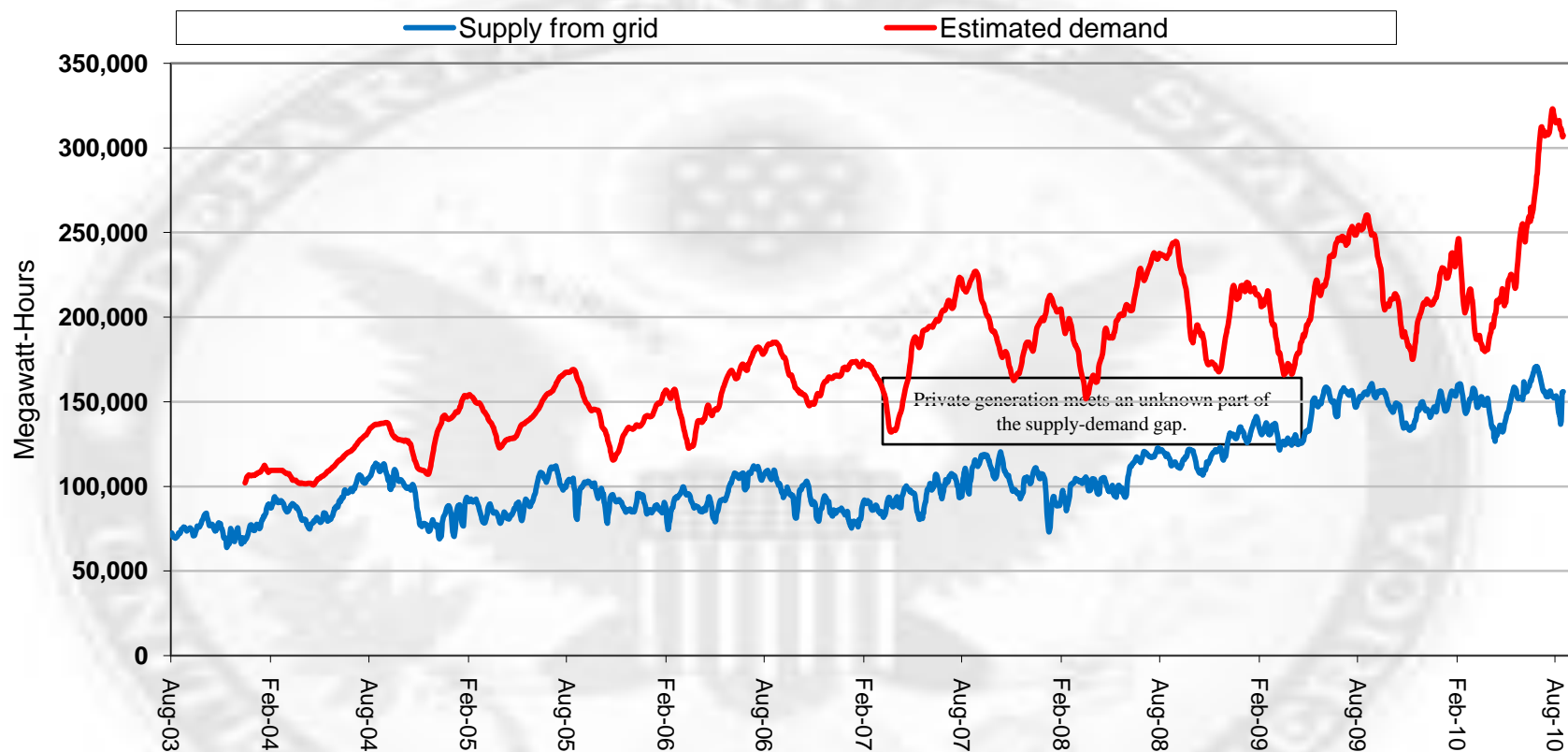
Iraq's 36 Privately-Held Banks Wish to Add More to Their Ranks:

- Iraq's private bankers are appealing to the GOI to privatize more banks. They argue that the amount of activity conducted by the seven state-backed banks hampers their ability to compete in an open market, as is promised to them by the Iraqi Constitution. Iraq currently has 36 privately-owned banks, each holding between \$50-150 million, which account for only 15% of Iraq's total liquidity.

Public Services – Electricity



Daily Electricity Supply from the Grid and Estimated Daily Demand



- Electricity supply from the grid August 16-22 was unchanged from the same period in 2009 and met 51% of estimated demand compared with 60% for the year-earlier period.

ECONOMIC – Industry Spotlight: Automobiles and Mobile Phones



Competitive automobile and mobile phone markets developing in Iraq

New Car Production Deal Marks Establishment of Iraqi Auto Industry:

- **The Ministry of Industry and Minerals has reached an agreement with a Chinese car manufacturer to begin production on an order of 10,000 cars in Iraq. According to a statement by the Ministry, this is the first step in establishing a car industry in Iraq to meet domestic demand. Negotiations with a French automaker are ongoing. Meanwhile, the Iraqi Minister of Trade called on Iran to improve the cars that it exports to Iraq. The request was made during a meeting with Iran's ambassador on strengthening trade and investment ties between the two countries.**

Mobile Phone Provider to Expand into Northern Iraq:

- **The Kuwaiti telecom company Zain, which began a 15-year license to operate in Iraq in 2007, has announced plans to launch operations in northern Iraq in January 2011. The company expects to operate a “fully fledged network” of two million subscribers by the end of 2011, accruing a profit of at least 15-20% that will then be reinvested into more expansion efforts and technology upgrades. Zain, Iraq's biggest telecom provider, is competing primarily with Asia Cell and Kurdish-run Korek for market presence in the budding mobile phone market; prior to Operation Iraqi Freedom, there was no such market in Iraq.**

ECONOMIC – Private Sector



Foreign executives share their views on Iraqi development

Economist Survey Illustrates Executives' Hopes and Concerns for Iraq:

- **The Economist Intelligence Unit surveyed over 360 senior executives from 112 international companies, both currently investing in Iraq and those contemplating investment, regarding investment in Iraq. Sixty four percent of the executives felt that Iraq was still too dangerous of a climate in which to do business, though 55% expect the security situation to improve over the next two years despite the withdrawal of foreign troops. Violence (67%), corruption (44%), and lack of infrastructure (35%) represent the biggest business risks to the group, while construction and real estate (43%), consumer goods (23%), and healthcare and pharmaceutical ventures (18%) were regarded as the most promising non-energy sectors in the Iraqi economy.**

Baghdad and Beyond



Modern Grain-Unloading Truck Lift

Maysan

Salah ad Din

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

The Amarah Grain silo received a new, modern, grain-unloading truck lift as a result of a successful U.S.-Iraqi partnership. The new lift will increase the Silo's efficiency and provide for faster unloading of the grain trucks. The Maysan PRT, the U.S. Army, and the Ministry of Trade contributed \$267,000 toward improving the grain truck lift. This successful joint project represents the United States' commitment to building civil and industrial capacity in Maysan.

In 2009, the 3-25 Brigade Combat Team (BCT) identified a child, named Bassam, with a cleft lip deformity in Ash Sharqat. With the assistance of Salah ad Din's PRT Health Advisor, Bassam's family agreed to allow him to stay in the United States for surgical repair of his cleft lip and palate. An NGO, Healing the Children, arranged for the operation, which occurred in December 2009. Bassam, who had two separate surgeries, healed quickly and was reunited with his family in on June 27, 2010. His case is an example of how medical providers and families can partner with NGOs to provide otherwise unavailable treatment, while improving relations between different cultures.

CONTACT INFORMATION



This brief draws from multiple sources. References are cited on the following pages.

For additional information, please see:

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<http://2001-2009.state.gov/p/nea/rls/rpt/>
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<http://2001-2009.state.gov/p/nea/rls/rpt/>
- Department of Defense, Section 9010 Measuring Stability and Security in Iraq
http://www.defenselink.mil/home/features/Iraq_Reports/index.html

Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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- Aswat al-Iraq, August 24, <http://en.aswataliraq.info/?p=136030>

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- AFP, August 23, <http://www.google.com/hostednews/afp/article/ALeqM5hH-ZA2H5O9MOhEh6ThTutklf30Rg>

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- Source for President Obama's Quote: http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Responsibly-Ending-the-War-in-Iraq/
- Source for photograph: Economic Development, August 11 <http://iraq-prt.usembassy.gov/20100819may1.html>